

Consumers' Intellectual Capital and the Development of Society

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The role of the consumer – one of the individual's roles in his everyday life – is the one that is gaining more and more importance in contemporary society. Namely, the individual as a consumer daily undertakes many decisions that not only affect his own life but also the life of the (global) society. That is why an individual should act as a responsible, active, competent and informed consumer, and reflect upon his own decisions. However, most of the consumers don't have sufficient knowledge to take responsible decisions. This is why the education system should take over the complex task of creating and developing consumers' intellectual capital. It should include responsibility learning which would contribute to a better management of both an individual's life and the global society's collective life. The need for a systematic approach to knowledge management concerning the stated issues arises also from our research results, indicating that the socialization of the consumer still takes place in the primary cell of socialization, which is the family, and that the role of the education system in this field is not significant.

CONSUMER SOCIETY AND SUSTAINABLE CONSUMPTION

Living in the consumer society assumes that making choices is an everyday practice (for example, advertising itself is trying to convince us of the importance of freedom of choice in today's society). As Bauman says, the consumers 'can, after all, refuse their allegiance to any one of the infinite choices on display. Except the choice of choosing between them, that is – but that choice does not appear to be choice' (1998, 84).

To sum up, we cannot avoid making choices. Many authors would argue that it is not just the product the consumer is buying, it is his whole identity he is seeking at the marketplace. By picking up a particular product he is sending a message of what kind of person he is or would like to be. Consumerism is not only about satisfying one's needs but (mainly) about individual's integration into society (Baudrillard 1988). All needs are socially created; possession of a particular good indicates an individual's social prestige and significance – goods are signs in the system. In

some way the individual's social life depends upon the possession, use and exchange of things.

From this standpoint, discussing consumer's decisions concerning his market choices is a complex topic, since – as mentioned above – it is not just about purchasing and consuming a particular product but about the construction of one's own self-image. It follows that consumer's decisions are not necessarily the result of his rational consideration; he may not even be aware which reasons led to a particular decision. However, 'bad' decisions don't provoke just dissatisfaction of the consumer but can affect also the future of the (global) society. This is the reason why an individual should act as a competent consumer at the marketplace. To act as a competent participant, the individual must adopt specific knowledge and skills and this is where the state and the education system should step in. The individual consumer should not be regarded as someone who does not have any power in affecting the occurrences on a national or global level, but as someone who can – by his (ir)responsible choices – create the future. In fact, the roles of both a citizen and a consumer are in contemporary society (state) interwoven and difficult if not impossible to separate; this relationship is (in some European countries) incorporated in the expression *consumer citizenship*:

Consumer citizenship is when the individual, in his/her role as a consumer, actively participates in developing and improving society by considering ethical issues, diversity of perspectives, global processes and future conditions. It involves taking responsibility for sustainable human development on a global scale when securing one's own personal needs and well-being. (Kitson 2003, 16)

One of the central ideas of the above definition is the concept of *sustainable development*, which is, as it was defined in the Brundtland Report in 1987, a 'development that meets the needs of the present without compromising the ability of future generations to meet their own needs'. Sustainable development is a concept that tries to broaden the scope of development theory from its narrow focus on economic growth. One of the necessary ways to achieve sustainable development is through *sustainable consumption*, which has been defined as (UN CSD International Work Programme adopted in 1995):

The use of services and related products which respond to basic needs and bring a better quality of life while minimizing

the use of natural resources and toxic materials as well as the emissions of waste and pollutants over the life-cycle so as not to jeopardize the needs of future generations.

Although providing tools for change is the responsibility of governments, regulatory institutions, NGOs and business, the role of the global consumer/citizen is essential. Sustainable consumption is about finding workable solutions to social imbalances (poverty, economic instability etc.) and environmental imbalances (pollution, reduction of biodiversity, food insecurity etc.) through a responsible behaviour from everyone. In particular, sustainable consumption is linked to production and distribution, use and disposal of products and services and provides the means to rethink their lifecycle. Sustainable consumption is about modifying consumption patterns; although consuming less is often a priority when defining sustainable consumption, the key challenge is to consume differently and efficiently (UNESCO-UNEP 2002). Only an educated consumer with appropriate skills and knowledge about the marketplace can achieve the goal of sustainable consumption.

CONSUMERS' INTELLECTUAL CAPITAL AND CONSUMERS' ROLE IN THE DEVELOPMENT OF THE SOCIETY

Assuming that the adequate consumers' knowledge and skills needed to perform sustainable consumption contribute to sustainable development, could we consider the consumers' knowledge as intellectual capital? Intellectual capital is intellectual material that has been formalized, captured, and leveraged to create wealth by producing a higher-valued asset. It encompasses an individual's accumulated knowledge, intellectual property, ability, skills, experience, know-how, and the collective brainpower that is the source of innovation and regeneration. Intelligence becomes an asset when it is given a coherent form, when it is captured in a way that allows it to be described, shared, and exploited, and when it can be deployed to do something useful. In an organization, knowledge and intellectual capital are the invisible assets that can be used to create a competitive advantage by managing these intellectual assets (Steward 1997 in Bahra 2001, 75).

The term intellectual capital is not only limited to the individual and organisational level but is used also in relation to community, public, region and nation (Bosworth 1996 in Kešeljević 2004, 46). The theory of the national intellectual capital points out that the benefits of education and of raising the level of accumulated knowledge are evident in the whole

society. In fact national economies are making a rapid transition to a society based on knowledge work. Bosworth also defines the society's rate of investment in intellectual capital that depends on the costs for education and benefits gained for the society (Bosworth 1996 in Kešeljević 2004, 46).

Although the academics and researchers agree upon the importance of the intellectual capital contribution for the success of the companies and national state performance, they differ regarding the classification of elements included in this concept. According to Edvinsson (1997, 369) intellectual capital consists of two dimensions:

- human capital and
- structural capital.

Human capital. The combined knowledge, skills, innovativeness, and ability of the individuals (organizational employees or national citizens) to meet the tasks at hand, including values, culture and philosophy. This includes knowledge, wisdom, expertise, intuition, and the ability of individuals to realize organizational (or individuals or national) tasks and goals. Human capital is the property of individuals, it cannot be owned by the organization (or nation).

Structural capital. Structural capital signifies the knowledge assets that remain in the company. It includes *organizational capital* and *customer capital* (also known as *market capital*). Unlike human capital, structural capital can be owned by the organization (or nation) and can be traded.

Market capital represents the value embedded in the relationship of the organisation with its customers. In the context of national intellectual assets, it is referred to signify the market and trade relationships the nation holds within the global markets with its customers and its suppliers.

Organizational capital. Organisational (or national) capabilities in the form of hardware, software, databases, organizational structures, patents, trademarks, and everything else of organisation's (nation's) capabilities that support those individuals' productivity through sharing and transmission of knowledge. Organizational capital consists of two components: process capital and renewal and development capital.

Process capital. Organisational (or national) processes, activities, and related infrastructure for creation, sharing, transmission and dissemination of knowledge.

Renewal and development capital. The organisational (or national) ca-

pabilities and actual investments for future growth such as research and development, patents, trademarks, and new products (start-up companies) that may be considered as determinants of organisational (national) competence in future markets.

Steward (1997, 76–7) includes in his classification three elements: human capital, structural capital and relational capital. Ross and Ross (1997, 222) classify intellectual capital as human capital, organisational capital and relational-customer capital.

From the analysis of different approaches we can extract two conclusions: first, the classifications don't differ to a great extent and they include more or less similar elements. Second, besides human capital and intellectual property, other elements that constitute intellectual capital in great part refer to the relations (inside and outside) of the organisation (nation), which indicates the understanding of these elements as social capital (Kešeljević 2004, 47). To sum up, most classifications consider human capital and social capital as parts of intellectual capital.

On the national level social capital refers to the institutions, relationships and norms that shape the quality and quantity of society's social interactions; it consists of social networks and associated norms that have an effect on community productivity and well being. Social cohesion is critical for societies to prosper economically and for development to be sustainable. Social capital, the informal relations and trust which bring people together to take action, is crucial to the success of any civil society (for example consumers organisation) because it provides opportunities for participation and gives voice to those who may be locked out of more formal avenues to affect change (World bank 2004).

Development of a society is not only economic growth but refers to the goal of improving the general conditions in which human beings lead their lives eliminating poverty, reducing illness, improving infrastructure etc., thereby promoting human well-being (Evans 1994 in McGregor 2002, 42). Development initiatives strive for sustainability, institutional capacity and capability, empowerment, gender relations, environmental protection, feasibility, dialogue and participation. If done properly, attempts to stimulate economic growth can facilitate development of society (Mikkelsen 1995).

Therefore development includes also social development, which is concerned with promoting social progress relative to economic progress, and human development that is concerned with the empowerment of individuals and family units that make up society and are the backbone of

the economy. In order to achieve social development, we have to achieve human development and vice versa to reach synergic effects.

Sustainable human development is a process that enhances the capacity of people to share visions and values, to deliberate together on the common good, to define goals collectively and to build strategies to reach them. The concept of human development has two sides:

- formation of human capabilities (*human capital*) and
- use of those capabilities to lead a long and healthy life, be educated, enjoy a decent standard of living, gain political freedom, and secure human rights and self respect (Doraid 1997 in McGregor 2002, 43).

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Human development is also a means since it enhances the skills, knowledge, productivity and inventiveness of people through a process of human capital formation broadly conceived. Investing in the formation of human development should result in a more sustainable development. It is important to note, however, that the stock of human capital (knowledge etc.) will deteriorate if not be maintained and that is where social development comes in. Sustainable social development is more than creating human capital, it implies not only that individuals gain improved skills, increased knowledge and higher levels of physical well being but also that they enjoy equal opportunity to employ their skills productively, and a sufficient degree of economic security to make possible stability and satisfaction in their lives (McGregor 2002, 43).

Development of individuals' human and social capital helps them to perform their roles as citizens and also their important roles of consumers in a conscious and responsible way. In this context citizenship and consumers education is important to enable the citizen and consumer to perform his role efficiently. With their sustainable consumers choices they respect the environmental issues and contribute to their and others well-being to the common good rather than advance private, individual self interest, especially via consumption.

The consumer's social capital is very important in this context – people do not make (moral) decisions in isolation. The problem in many countries is the alienation and cynicism among people about public life and participation, leading to possible disconnection and disengagement from it. This can transfer to other roles of a person, including his role as a consumer. It is much easier to ignore the impact of one's decisions on other people and the environment if one is disengaged from life and politics in general. The individual, who feels disconnected, lacks direc-

tion and meaning in life and feels out of control, will make very different consumer decisions than one who feels part of a larger picture, a global community. That is why the people should be empowered to develop their sense of community and their confidence that they can make a difference in the marketplace. People need to see themselves as consumer-citizens in a life-long learning process, as socially aware consumer willing to make reasoned judgements for the common good.

The sustainable consumption can have also an economic implication on a national level. Sustainable consumption addresses the demand side while sustainable development addresses the supply side. From the economic theory of externalities it can be proved that the supply side and the market mechanism are inefficient in resolving the problem of external diseconomies – the unintended by-products of consumption or production activities which impose costs on others – on individuals, groups or a society (Samuelson and Nordhaus 1998, 331–4). Therefore macroeconomists suggest that the policies to correct negative externalities should be led by the government. The most visible activities are government programmes that perform either direct control (environmental laws, standards etc.) or financial incentives (taxes, subventions etc.) to induce organisations to correct externalities. More subtle approaches use enhanced property rights to give private sector the instrument for negotiating an efficient solution (Samuelson and Nordhaus 1998, 331–4). What about the demand side? Some government financial incentives are provided also in practice to induce sustainable consumption decisions. The question arises whether this practice is sufficient and effective. In our opinion the initiatives towards a more sustainable consumption should be pushed forward by attempting to change the consumers' patterns. But why should the consumer (as *homo economicus*) act differently? Because the individual as a consumer in the information and knowledge based society would, with the help of efficient Consumer Citizenship Development Programmes, consider not only his short-term benefits but also his and the society's long-term benefits in his every-day cost-benefit analysis.

As shown, the sustainable consumers' choices can have an important impact on the marketplace. In fact the consumers with their enhanced human and social capital are able to act responsibly at the market and by choosing a sustainable consumer patterns can improve their lives (for example health conditions), the lives of others, society and the environment. Assuming that demand generates supply, consumers have an enormous power to reduce production with negative externalities by not buy-

ing their products in the marketplace. The consequence would be the reduction of social-governmental costs needed to improve the negative effects of unsustainable consumption and production, for example: health care costs, pollution and waste reduction costs etc. From that point of view it can be seen that the consumers' human and social development generates consumers' intellectual capital that brings future wealth to individuals and nations and contributes to the development of the society.

MANAGING THE KNOWLEDGE TOWARDS SUSTAINABLE
DEVELOPMENT

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Education encompasses teaching and learning specific skills, and making decisions in a consumer society does require new skills. The consumer of today is faced with a wide range of goods he can choose from, but has little or no help in making decisions about his product and service choices. Besides, the consumer is faced with numerous new (and still emerging) ways of purchasing goods and services, numerous places of purchasing and consuming (namely, more and more aspects of human interactions take place at the market), the lifecycles of the products are short, the fashion changes are frequent, and so on (Lury 1996, Appadurai 1996). These are (besides social and environmental issues mentioned above) also the reasons why participating at the marketplace requires specific skills and knowledge.

Consumers should be stimulated to critically review their own consumer patterns, and encouraged to make responsible choices. New and more appropriate behaviour patterns should be encouraged. To make these changes there is a need for an education system that would take over the demanding task of educating responsible and informed consumers, as education (Kitson 2003, 13)

has a responsibility in preparing children and young adults to take their part in society, i. e. participating in social institutions, contributing to political democracy and playing a part in economic activity. [...] Education has a crucial role and can change and transform society rather than just reflect and reproduce society.

According to Kitson, consumer education should include the following knowledge, attitudes and skills (Kitson 2003, 16):

Knowledge:

- the impact of consumption on society, human development, international economic systems and employee conditions;

- environmental impact of consumption at a global, national and local level; sustainable lifestyles; fair trade; product recycling;
- food, diet and disease;
- consumer rights and responsibilities.

Skills:

- life skills; planning your consumption and managing your resources; analysing your needs and wants;
- as a consumer to influence decision making and resources; to manage budgets and obtain redress;
- to gather, handle and organise information to affect change.

Attitudes:

- environmental concern for global, national and local issues;
- reflect on moral, social and ethical issues.

In Slovenia the transmission of skills and knowledge and the formation of a new value-system, concerning sustainable consumption through the education system is not satisfactory. Although Slovenia, as a signer of the Agenda 21, has committed itself to prepare the strategy for sustainable development, which would also refer to the sustainable consumer patterns and would identify ways to promote these consumer patterns, this did not happen. As ascertained in the *Expertise for preparation of the report about achieving sustainable development in Slovenia* there is no central agency, which would deal exclusively with the stimulation of the sustainable consumer patterns. So far, in Slovenia there are no special programmes for teaching or training students about sustainable consumption, although, according to the *Expertise*, Slovene consumption patterns are moving away from sustainable consumption.

Slovenia can learn from many other countries where the state is taking an active part in educating the individual into a responsible consumer. In Australia and Canada the consumer education has been present for many years. Also in many European countries the concepts (and the contents) of the consumer education and sustainable consumption are already present in the school/education system. In Norway, for example, the subject *Consumer education* 'deals with attitudes, knowledge and skills necessary for functioning in today's society' (Thorensen 2002, 5). The project 'Consumer education in school' was initiated in Norway in 1993. The project's goal is to strengthen consumer knowledge in primary as well as secondary schooling, and in teacher's education.

Things are changing very slowly in Slovenia. The school reform in 1998/1999 led to changes in the fields of topics, goals and methodology in school curricula. By examining the school curricula we found out that new educational courses also include study topics and goals connected to sustainable development and sustainable consumption. The question is whether these topics are really introduced in the classrooms and to what extent. Another problem, according to the above mentioned *Expertise*, is that these goals are not introduced in schools in a consistent way due to a lack of an interdisciplinary teachers' training.

Besides, in formal education, Slovene elementary schools and kindergartens also take part in the Eco-School programme. This is the EU programme for environmental management and certifications, and sustainable development education in schools. In Slovenia two hundred schools are involved in this programme and the pupils are encouraged to take an active role in reducing the environmental impact of the school. Eco-Schools also extend learning beyond the classroom and develop responsible attitudes and commitment both at home and in the wider community.

RESEARCH: STUDENTS AS CONSUMERS

Our research focused on young (student) consumers. They are a vulnerable target group, on the one hand lacking experience and knowledge about the marketplace, on the other hand being very active in constructing their identities (also) by making choices at the marketplace. A great proportion of marketing messages is aimed at young consumers, 'inviting' them to buy, consume, spend, etc.

The research had several goals, but concerning the subject of sustainable consumption the main two were to investigate where do young consumers find relevant information concerning products they purchase most often and what is the students' perception of their consumer responsibilities.

We designed our research as a survey. The data were collected by means of a self-administered five-page questionnaire. It was completed by a sample that included 315 last grade secondary school students (app. 18 years old) of the three general and/or vocational secondary schools in the town of Koper, Slovenia.

We first conducted an explorative study, where we interviewed a small group of students to gather more information and highlight the issues to be studied. Before the main survey, the pre-test questionnaire was com-

pleted by 30 students, which helped us make necessary modifications to the questionnaire.

RESULTS

When asked about the relevance of information in advertising (respondents were asked to react to favourable and unfavourable statements about social perceptions of advertising on a five-point Likert-type scale ranging from 'strongly disagree' to 'strongly agree'; for the following interpretation the categories 'strongly agree' and 'agree' were combined and the two categories on the other end of the scale were combined) the majority of students, namely 82%, regarded most of the ads as misleading. 87% of respondents disagreed with the statement that advertisements present a true picture of the product advertised (only 3.5% thought the opposite). Only 10% felt that they could trust advertisements (73% thought that they cannot) and 67% of respondents felt that the omnipresence of advertising is disturbing (only 19% disagreed).

Most of the respondents (69%) agreed that advertising is an important source of information about products offered at the marketplace, but, on the other hand, only 23% of respondents thought that advertisements inform them sufficiently, as opposed to 43% who felt that the advertising information is not sufficient for making their purchasing decisions.

We can see that the results are contradictory; on the one hand most of the students feel that advertising messages are an important source of information about products at the marketplace, but on the other hand they find it misleading, misrepresenting the object advertised, untrustworthy, and they perceive the omnipresence of advertising information as disturbing.

Although they acknowledged the omnipresence of advertisements, advertising functioned as the third most prevalent source of product information behind the advice from friends and parents. However, it was considered less trustworthy (ranking behind trustworthiness of parents, friends and sellers). This is consistent with the above finding about the contradictory view of the advertising information.

We have also found out that students whose parents are higher educated tend to have a more critical attitude towards advertising (the correlation coefficient indicated a significant, but modest negative correlation between likableness of advertising and parents' degree of education; $r_s = .201, p < .0005$). There was no correlation found between students' attitude towards advertising and the school they were attending or

between their attitude towards advertising and their average grade. We assumed that socialization into the consumer citizen still remains in the private domain – in the domain of home and family.

290 In our research we also wanted to find out more about the respondents' awareness of environmental and the related sustainable development issues, with an emphasis on the situation when they act as consumers. We asked them whether they, in the majority of cases, require or ask for information about the ecological characteristics of the products they buy. Only 10% of respondents require that information in the majority of cases. Others are not interested in this kind of information. We also asked them whether they would change a product that they buy regularly for an eco-friendly substitute, which would be slightly more expensive. 52% of respondents would probably make this substitution, 17% of respondents would probably not change the product they buy and 31% were undecided. Those who were willing to change their product for an ecological one were prepared to pay an average of 17% more for it. In the next question we have tried to additionally verify the ecological awareness of our respondents by using the five-point Likert-type scale. We found out that 53% of respondents think that consumers (by their choices) can influence the producers. Almost all respondents – 93%, agreed that the consumers must be ecologically responsible, but only 41% of respondents consider themselves as ecologically conscious consumers.

In addition we inquired which source of information concerning responsible consumption prevails. We asked them whether they had talked in the last month about the fact that consumers, with their consumption choice, can contribute to the preservation of natural environment: with friends, with the members of the family or in school. We found out that the most important reference group concerning this topic is the family – 24% of respondents talked about this topic with the members of the family in the last month, while only 13% of respondents talked about this in school and 11% with friends. In spite of the fact that the quarter of respondents talk about responsible consumption at home, only 16% of respondents could name at least one ecological product regularly bought in their family.

The main finding of our research was that students' consumer education/socialization stays in the private domain. In spite of the fact that students are daily exposed to different media (for instance, in our research students reported watching television on average more than two hours daily) and therefore receiving a great deal of data/information concern-

ing their purchasing decisions from the mass media, they still report that the most relevant information came from their parents and friends.

Although they did express some degree of awareness of ecological problems of consumption and most of them felt that as consumers they are bearing responsibility for preservation of natural environment, a great majority of the respondents couldn't name one eco-friendly product that they were buying. However, among the students who reported discussing the ecological problems of consumption within their family, the percentage of those who did name the eco-friendly product was significantly higher. Again, it seems that the family plays a more important role in educating an ecologically conscious consumer than the school does. But still the results of our research are far from satisfactory and there is a great need for the education system to take a more active role in educating a consumer citizen.

CONCLUSION

Learning for sustainable development is based on the notion of a knowledge-based society. The knowledge-based society can seek a future path that is equitable, sustainable and stable (Malone and Yohe 2002). Education for sustainable consumption (and development) is one of the mechanisms (besides legislation and financial instruments) that should be integrated into the framework of sustainable development policies. Government and other organizations should focus on management of knowledge towards sustainability through formal and informal learning; this requires collaboration of experts from government, the education sector and other (civil) society.

To raise the level of consumers' intellectual capital is a complex task which presupposes not just imparting knowledge about the marketplace and new skills needed to participate at the marketplace but also – at least to a certain extent – changing the society's value system. However, as indicated in the previous pages, it can prove in a global social and economic development.

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